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SUBJECT: SERBIA SAYS KOSOVO ELECTRICITY OFFER IS INSUFFICIENT AND
INSINCERE

REF: PRISTINA 23 AND PREVIOUS; 09 BELGRADE 1314

SUMMARY

11. (SBU) Serbia's lead electricity negotiator, Assistant Minister for Kosovo Dragan Petkovic, insists Serbia wants to find a solution to the ongoing electricity dispute in northern Kosovo, but says KEK's proposal is insufficient and its willingness to reconnect the north is insincere. While Petkovic claims Serbia's electricity company EPS could now efficiently meet energy demand in the north, he acknowledged that Serbia's actions - particularly the billing of customers - were on shaky legal ground. While he acknowledged KEK had normalized and improved service in the south, he said he suspected that KEK would cut off customers in the north in order to extract payment if the north were reconnected to KEK's grid. While Serbia continues to call for goodwill on both sides to resolve the dispute, it is clear that the GoS is more concerned with saving face and expanding influence rather than meeting the needs of Kosovo Serbs. End Summary.

Serbia Claims to Be Working Toward Solution

12. (SBU) Serbia wants to find a solution to the ongoing electricity dispute in northern Kosovo (refs), Assistant Minister for Kosovo Dragan Petkovic told us and Ben Crampton, Deputy of the EU's Personal Representative Office, on January 14. Petkovic said he and EPS would meet the week of January 18 with KEK representatives "in order to harmonize positions." Petkovic admitted that although KEK had presented the Serbian side an energy services contract (ESCO) proposal in May 2009, the GoS had yet to respond in writing with a counterproposal and had only made verbal suggestions to date. Petkovic acknowledged Serbia needed to put a proposal in writing to show it was sincere about resolving the issue and said he was currently doing so. He said, however, that Serbia could not use the KEK proposal as a starting point, since that proposal had only dealt with a possible ESCO for the enclaves, before that issue had been resolved.

13. (SBU) In defining Serbia's position, Petkovic said Serbia ideally wanted to establish a secondary service provider for all Serb areas of Kosovo. He said at a minimum, Serbia insisted that it be more than just a bill collector for KEK and cover more than just the north of Kosovo. Petkovic said Serbia had no objection to registering the company in Pristina. He said he hoped that EPS and KEK could reach an agreement somewhere between those two points,

saying both sides needed "to swallow something" if there were to be an agreement. However, he said both sides had dug in on their positions, leaving a significant gap between them. Ultimately, the GoS "needed to have its needs met," Petkovic said, suggesting any solution had to be political. "We can not have a situation in which KEK gets everything and we get nothing. If that is the case, then there will be no solution," Petkovic said.

EPS Supposedly Meeting Energy Demand in the North

¶4. (SBU) Petkovic alleged that EPS was able to fully meet the demand for electricity in the north, now that it had begun to collect for payment. Despite EPS' initial claims that electricity was being delivered as humanitarian aid, Petkovic admitted to us that consumers could not continue to receive electricity without payment. Since EPS began meter reading and collection in December 2009, electricity consumption had plummeted 50% in the north, making it possible to meet demand, Petkovic said. He said bill collectors had begun collecting payment and were transferring the funds to EPS.

Serbia on "Shaky Legal Ground"

¶5. (SBU) Without explicitly admitting that Serbia's actions were illegal, Petkovic acknowledged that EPS was operating on shaky legal ground. He pointed to that as a reason why Serbia wanted a deal. We need to legalize the situation in the north so there are no grounds to object, Petkovic said. He insisted that the current situation could only be temporary and that a permanent solution had to be found.

Not In Favor of Partition

¶6. (SBU) In response to our comments that Serbia's actions to date had given many in the international community the impression that Serbia was angling for partition, Petkovic flatly said that was not Serbia's intention. "We are not in favor of partition and we are not in favor of partitioning Kosovo's energy sector either," Petkovic said. Going further, Petkovic said it was KEK's current proposal (an ESCO for the north) that smacked of partition, since it geographically limited EPS' participation north of the Ibar.

KEK Insincere in Offer to Reconnect the North

¶7. (SBU) When urged to reconnect the north to the KEK grid and to allow KEK to provide electricity in the north while talks between the two sides continued, Petkovic claimed KEK's offer to reconnect was insincere. If the north was reconnected to KEK, KEK would be unable to meet the surge in demand and would probably once again have to begin rationing electricity as it had done prior to October 2009, Petkovic said. As supposed proof that there would be rationing, he said KEK was currently unable to fully provide

consistent power in the south and any increase in demand would further aggravate the situation. Even if KEK were able to provide sufficient electricity to the north, Petkovic said KEK would immediately cut off power in the north as a way to twist consumers' arms to immediately start paying for consumed electricity. In either scenario, Petkovic gauged KEK's offer as insincere and said it would be difficult for the GoS to allow Serbs in the north to once again experience KEK power cuts after EPS had "proven" it could meet their energy needs.

KEK Relations with Enclaves Slowly Improving

18. (SBU) In contrast to the contentious relationship with northern Kosovo, Petkovic admitted that KEK's relations with the southern enclaves had improved since they had begun paying their bills in the summer of 2009. He said that supply was more stable and there had been a slight improvement in quality of service. He said, however, that some of the alleged promises KEK had made to the enclaves, such as hiring more Serbs, had yet to materialize. "Where are the jobs KEK promised," Petkovic asked. He repeatedly emphasized that KEK had only been able to sign up the enclaves because of his personal involvement and support for doing so in the spring/summer of 2009.

Manipulators on All Sides

19. (SBU) Petkovic insisted there were manipulators on all sides trying to undermine talks and to destabilize the situation. In the north, he cited efforts by hardliners to influence the situation. He then pointed to the recent meter reading in Valac as an example of Albanian manipulation. Petkovic alleged that during past years, meter reading happened only once or twice a year. Now, he said, KEK had come twice in the past three weeks to read the meters. He also insisted KEK officials were misleading the United States on KEK's intentions. KEK negotiators were under pressure from Pristina and elsewhere and this was not in anyone's interest, "including the United States," Petkovic said.

Need Goodwill from Both Sides

110. (SBU) Petkovic emphasized several times that there needed to be goodwill on all sides. Asked to define what he meant, Petkovic suggested KEK providing an ESCO for the EPS subsidiary in Gracanica or Strpce as a starting point, or having KEK employ more Serbs in the south. Without providing examples of Serbian goodwill, he again stated Serbia's maximalist negotiating positions.

Comment

111. (SBU) Petkovic was firm on the GoS position but tried to appear conciliatory, as if he thought a commitment to keep talking with KEK would be sufficient to win points with parts of the international community. After believing that he had helped KEK to sign up the southern enclaves only to see GoS influence there diminish after Kosovo's November 2009 municipal elections,

Petkovic, a Kosovo Serb, may worry that he personally and the GOS as a whole are losing influence with Kosovo Serbs. Petkovic and the GoS now appear determined not to lose any further influence over the fractured Serb community and are willing to use EPS' de facto control over the northern Kosovo grid as that bargaining chip. The needs of the Kosovo Serb community will continue to come second to the political needs of the Serbian government. End Comment.

PEDERSON